



Kathleen Babineaux Blanco  
GOVERNOR

## STATE OF LOUISIANA DEPARTMENT OF HEALTH AND HOSPITALS



Frederick P. Cerise, M.D., M.P.H.  
SECRETARY

May 1, 2007

Dear Nursing Home Administrator:

RE: Louisiana Medicaid Nursing Facility Care-Related Expenses

There has been some confusion related to the expenses included in the Louisiana Medicaid case mix care-related rate component and corresponding case-mix care-related floor. This memo is being issued to clarify the policy on care-related expenses in the case mix methodology.

### **Background**

The nursing facility reimbursement methodology includes direct care and care-related rate components established at 110 percent of the statewide resident-day-weighted median cost. The methodology also requires providers to incur direct care and care-related expenses of at least 94 percent of the statewide resident-day-weighted median cost (the floor) or the difference must be refunded back to the Department of Health and Hospitals (DHH).

The care-related component is calculated using the Medicare/Medicaid cost report data.

Expenses included from the Medicare cost report:

- *Nursing Administration Cost Center*
- *Social Service Cost Center*
- *Activities Cost Center*
- *Nursing Facility Routine "Other" Cost (Non-Salary)*
- *Allocation of Employee benefits*

Expenses included from the Medicaid supplemental cost report schedules:

- *Food*

### **Cost Report Periods Beginning Prior to July 1, 2007**

Instructions that were provided during the initial training sessions for the nursing facility case mix reimbursement system may have led some to believe that the following expenses were also included in the care-related rate component. Although this was not the intent or how the rates were actually established, these expenses will be allowed for purposes of calculating the care-related floor. This will ensure providers are not

inappropriately subjected to the spending floor for cost reports beginning prior to July 1, 2007.

- *Pharmacist Consultant*
- *Physician Consultant*
- *Dietitian Consultant*
- *Records Librarian Consultant*

### **Cost Report Periods Beginning On or After July 1, 2007**

For cost report periods beginning on or after July 1, 2007, the following expenses will not be recognized as care-related either in the rates or in the spending floor calculations. Instead, these expenses will be classified as administrative and operating expenses.

- *Pharmacist Consultant* – normally included in the Administrative and General cost center (CMS Pub. 15-I, Section 2119.B.2).
- *Physician Consultant* – may be Administrative and General or other cost center depending on the nature of the physician services.
- *Dietitian Consultant* – normally included in the Dietary cost center.
- *Records Librarian Consultant* – normally included in the Medical Records cost center.

### **Enterals and Glucose-Monitoring Supplies**

If enterals are not billed separately from the normal daily per diem (included in the routine care charge), they should be included in the raw food cost shown on the supplemental Medicaid cost report. This would include enterals usually reported in the Dietary and Nursing Facility cost centers. The cost of these enterals will be included in the care-related rate calculation.

If glucose-monitoring supplies are not billed separately from the normal daily per diem (included in the routine care charge), they should be included in the routine nursing facility cost center unless Medicare rules indicate otherwise. The cost will be included in the care-related rate calculation.

### **Summary**

Expenses should always be reported in the Medicare cost centers according to the Medicare rules and regulations. If an expense is not reported in one of the Medicare cost centers or Medicaid supplemental cost report lines assigned to the care-related component, then it will not be included in the provider's care-related rate component and corresponding floor.

Nursing Home Administrator

May 1, 2007

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If you have questions or concerns, please contact Bob Hicks at Myers and Stauffer by e-mail at [bhicks@mslc.com](mailto:bhicks@mslc.com) or by phone at (800)374-6858 ext. 1249.

Sincerely,

A handwritten signature in black ink, appearing to read "Kent Bordelon". The signature is fluid and cursive, with the first name "Kent" being more prominent.

Kent Bordelon

Director Rate and Audit